

Summer 2011

[HOME](#) | [HANDBOOK](#) | [SIO STUFF](#) | [PPTS](#) | [NEWS](#) | [AWARDS](#) | [UPDATE OFFICERS ROSTER](#)

WELCOME!

The LSA Communiqué is a quarterly electronic newsletter for local surety associations. Please forward this newsletter to your members, so they are aware of SIO publications and industry information of interest to them. If you have comments, suggestions, or LSA news to report, please contact [Stephanie Robichaux](#).

LSA AWARD WINNERS

Congratulations to the LSAs that received awards at this year's SFAA and NASBP Annual Meetings! The following associations were honored for their outstanding work in promoting surety bonds in both the public and private sector.

GOLD:

Florida Surety Association
Surety Association of Illinois
Surety Association of Kansas City
Surety Association of Ohio
Surety Underwriters Association of Southern California

SILVER:

Surety Association of Arizona
Surety Association of St. Louis
Surety Association of Wisconsin

TIGER TRUST AWARD:

Al Hultgren, Payne Financial Group

ADVOCACY AWARDS:

This year the SIO created a new award to recognize those LSAs that advocate on surety issues that impact the industry in a significant manner. These efforts are different than promotion of the value of surety bonds and equally important. They include work on legislative matters as well as matters such as onerous bond forms and rating requirements.

Advocacy Award Winners:

Florida Surety Association

Surety Association of Illinois
Surety Association of Louisiana
Surety Association of Wisconsin

For a summary of the activities earning these associations and Al Hultgren their awards, please visit the [SIO website](#).

THANK YOU, LSA REPRESENTATIVES.

Thank you to all representatives of the LSAs who attended SFAA's annual meeting in Washington, D.C., this May.

- Scott Bourdon, New York City Surety Association/ International Fidelity Insurance Co.
- Nick Costa, Florida Surety Association/ Travelers Companies, Inc.
- Jim Fagan, Surety Association of Illinois/ Travelers Companies, Inc.
- Daniel Grygo, Surety Association of Virginia/ Travelers Companies, Inc.
- Paul Landry, Surety Association of Massachusetts/ Great American Insurance Company
- Derek Lipschutz, Florida Surety Association/ Liberty Mutual Group
- Kimberly McAlexander, Rocky Mountain Surety Association/ Westfield Companies
- Anne McCarley, Alabama Surety Association/ Hartford Insurance Group
- Jeff McQuate, Surety Association of Ohio/ Travelers Companies, Inc.
- Adam Pfanmiller, Carolinas Surety Association/ Travelers Companies, Inc.

ENR PUBLISHES SIO SURETY SUPPLEMENT

Engineering News-Record published its special annual Surety Supplement in this year's June 27th issue. The supplement, put together by SIO, contains the standard Surety Market Report and Executive Viewpoints, as well as the following articles:

- Surety Bond Producer's Pivotal Role in Creating a Contractor's Success
- Impact of Construction Firm's Red Ink on Its Surety Program
- Federal Erosion of Payment and Performance Security Needs to be Stopped
- As Opportunities Emerge, Strong Enterprise Risk Management and Innovation Rule the Day
- Reducing Subcontractor Risk



A PDF of the supplement is [posted online](#) and reprints will be available to order via the [SIO website](#). A special thank you to all of the executives who participated in the survey. This product could not be possible without the generous support and commitment from the surety industry advertisers.

FOCUS TURNS TO 2011 CONSTRUCTION EXECUTIVE SURETY SECTION

The ENR Surety Supplement is “hot off the press,” and now focus shifts to planning and developing the Associated Builders and Contractors’ Construction Executive Surety Section. Planning and development of this special section already is underway, and it will appear in November.

If you have not ordered reprints of last year’s Construction Executive Surety Section, you may do so via the [SIO website](#).

PRESENTATIONS TO LSAs

NASBP Presentations to the Mid-Atlantic Surety Association

Mark McCallum and Larry LeClair from NASBP presented to the Mid-Atlantic Surety Association on February 25 about recent legislative and regulatory developments. McCallum and LeClair specifically focused on legislation in Virginia and Maryland that was adverse to the interests of the surety industry. In Virginia, legislation, HB 1951, was introduced at the beginning of the session to increase the bond threshold for non-transportation projects from \$100,000 to \$1 million. As Mark and Larry explained, NASBP, SFAA, and a coalition of local construction industry groups fought to eliminate the proposed increase. The bill was amended in committee, which lowered the threshold to \$500,000 for non-transportation projects, a threshold increase still unsatisfactory to the surety community. The measure originated in the Governor’s office with the mistaken belief that, by raising the bond threshold, additional opportunities for minority contractors who wish to participate on state construction projects would be created. The surety industry met with key legislators and administrative officials explaining the potential ramifications of increasing the threshold and the importance of the payment and performance bond and the protection they offer to subcontractors, suppliers, and the taxpayers of the Commonwealth of Virginia. The Virginia General Assembly approved HB 1951, and the Governor signed the bill into law earlier this spring.

In Maryland, legislation, SB 782/HB 1071, was introduced to exempt an individual acting as a surety from having to obtain a certificate of authority from the Maryland Insurance Commission to write bonds on private construction contracts in Maryland. At the May 25 meeting, McCallum provided an update on the Maryland individual surety bill, which was defeated in committee. As Mark explained, the debate was very contentious, and he assured members in the audience that a similar proposal likely will return in 2013. Mark also invited members of the Mid-Atlantic Surety Association to attend NASBP’s Annual Congressional Fly-in on June 23. .

SFAA Presentation to Louisiana and Ohio LSAs

Robert Duke, director of underwriting/counsel for SFAA, made a presentation to the Louisiana Surety Association on March 22, 2011, and a presentation to the Surety Association of Ohio on April 12, 2011. The presentations covered the state of the surety industry and current challenges that the industry is facing. The remarks hit on

current economic indicators and surety results. Given the depth of the past recession and the slow pace of the recovery, results have been surprising good. Typically, increased loss ratios follow poor economic conditions. However, Mr. Duke noted that he was not ready to “exhale” yet.

Mr. Duke also discussed the challenges facing the industry including threshold increases and bond waivers. The stated justification for such measures is to assist small contractors. Mr. Duke noted that the opposite is true and in the long run, waivers and threshold increases are detrimental to small contractors. He reported on efforts in Maryland to allow individual sureties to write bonds without any regulation or oversight. Again the justification is to assist small contractors. Lastly, he noted that SFAA staff continues to see onerous bond forms and long-term warranty requirements.

The key to meet these challenges is constant education and communication with constituencies such as public owners and contractors.

SFAA Addresses New Jersey LSA

Lenore Marema, SFAA’s vice president of government affairs, addressed the Surety Underwriters of New Jersey at their quarterly lunch meeting on March 24. She provided an update on the status of the surety industry by discussing the state of the public owners and the construction industry. The state and federal public owners likely will spend fewer dollars in the foreseeable future on public construction projects, and unemployment in the construction industry remains at double the national rate. While SFAA’s statistics show the surety industry coming off a very good year in 2010, she told the group that it should not rush to the conclusion that sureties have dodged the bullet in the economic downturn. The construction industry lags 18 months behind the economy in recovery, and the surety industry lags 12 to 18 months behind the construction industry. There is an uptick in losses, contractor backlogs are diminishing and contractors are now doing jobs awarded in 2009-2010 with lower margins. We still are far from a hot economy.

Marema reminded the group that SFAA is willing to write letters, make contacts, and otherwise assist its members locally in addressing issues that affect surety and fidelity bonds.

BONDING EDUCATION PROGRAM

The U.S. Department of Transportation and SFAA co-sponsor the Bonding Education Program, designed to assist small and emerging contractors with obtaining bonds. This will allow them to bid on federally-funded, transportation-related projects. After up to 10 weeks of workshops, contractors will be more knowledgeable about the bonding process and will have the opportunity to meet with surety bond producers and underwriters, who will assist them with their bond applications. Workshops have been completed in Maryland and Orlando, FL, and we appreciate the support we received from the Mid-Atlantic Surety Association and the Florida Surety Association in these respective locations. In addition, initiatives have begun in Raleigh, NC, and Miami, FL,

again with the support and participation of the LSAs in these areas. NASBP has been and continues to be an integral part of these program efforts.

Here is a list of upcoming Workshops and Stakeholders' Meetings:

- Los Angeles – Workshops begin July 19.
- New Orleans – Workshops begin August 11.
- New York – Stakeholders' Meeting on August 16
- Minneapolis – Stakeholders' Meeting on August 18
- Denver – Workshops tentatively scheduled to begin in mid-August
- Seattle – Stakeholders' Meeting on August 25
- Columbia, SC – Stakeholders' Meeting on September 12

The purpose of stakeholders' meetings is for local organizations and members of the surety industry, along with Sam Carradine from SFAA, to get together to plan the BEP for that city and determine necessary resources and the stakeholders' roles in the program. The DOT and SFAA are seeking Local Surety Association involvement in the program.

For more details or to get involved, please contact Sam Carradine, the development & diversity consultant for SFAA, at 202-778-3638 or scarradine@surety.org.